

Mini Case Study, Ford Edsel

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Abstract. In the late 1950s the well-established automotive company Ford planned and developed a new brand, the Edsel, to tackle a so far not covered segment of the automotive market, the upper middle class. The Edsel was supposed to compete with GM and Chrysler, the biggest companies in this very segment. However, the Edsel failed miserably and forced Ford to rethink their corporate strategy. This was the starting point of one of the biggest successes Ford ever had in the American automotive market, the Mustang.

Keywords: Ford Edsel, Crisis, Innovation, Adaptive cycle

Introduction

“If something fails despite being carefully planned, carefully designed, and conscientiously executed, that failure often bespeaks underlying change and, with it, opportunity.” [1] stated Peter Drucker when describing the “unexpected failure” as a potential source of innovation. This unexpected failure, simply said a crisis, is the most known story about the Edsel, as its own story ended when Ford announced the end of the brand on November 19, 1959, just two years after the founding. The following research paper connects this crisis of Ford to the adaptive cycle and illustrates the phases Ford has been going through before and after the introduction and fall of Edsel.

1. The adaptive cycle

The adaptive cycle can be used as a model for the adaptive change organizations, but also individuals, go through over time. It is split into four quadrants, namely and in order: the Equilibrium, the Crisis, New Combinations and Entrepreneurship. However, the cycle is not always starting with the Equilibrium phase, but can start in any quadrant of the cycle [2].

The following paper elaborates on the transition from the Equilibrium to the Crises followed by the New Combinations, as this is one of the two main streams in the cycle, which “takes the organization out of its comfort zone of conviction and certainty” [2].

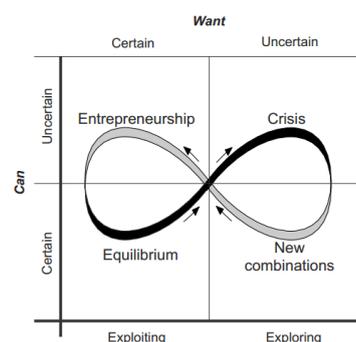


Figure 1: The adaptive cycle [3]

2. The case of Ford

2.1. Equilibrium

In the late 1950s the American automotive market was perceived to have four segments: the “upper” class, the “upper-middle” class, the “lower-middle” and the “standard” class. At that time, three big competitors were dominating the market after the recession of World War II. Chrysler, General Motors and Ford were competing in the different segments, except for the “upper-middle” class for which neither Chrysler nor Ford were supplying suitable products. But it was this very segment which was expected to have the biggest growth of all segments, so Ford designed and introduced the Edsel to tackle this segment after three years of market research and careful project planning [1].

2.2. Crisis

Introducing the Edsel to the market, designed on in depth market research and coming with several innovations, it was supposed to be a best-seller. Yet, it couldn't fulfill the expectations and was sold only 63,110 times in the U.S. in the first year, far below the supposed numbers. In the second year, only 44,891 cars were sold in the U.S, already indicating the downwards trend of the Edsel. By the time the end of the brand was announced, less than 50% of the estimated break-even point were sold, leaving a huge financial damage for the company. By over-hyping the car before it was released [6], the public awareness for the story of the Edsel was high, causing moreover an immense damage to the image of Ford [4].

2.3. New Combinations

The failure of the Edsel left Ford in a situation where everything that has been done was questioned, as the research and planning clearly indicated that the Edsel will be a success. Questioning all the assumptions that were made before the research for the Edsel started led Ford to the understanding, that the classification of the market into four segments had no longer its validity. With this new insight, Ford was able to detect a new segment, the “lifestyle segmentation” [1]. This knowledge was used to start a new research on the segments preferences and then used to design the Mustang, one of the biggest successes Ford ever had [5]. This decision marks the transition to the “Entrepreneurship” quadrant of the adaptive cycle.

3. Conclusion

The “unexpected failure” of the Edsel showed clearly how companies can use a crisis and the knowledge gained during the crisis to find new opportunities, if the company is willing to question its own decisions instead of blaming external factors for the crisis. This entrepreneurial thinking of Ford turned a huge failure into one of the biggest steps into the right direction. The knowledge gained from the Edsel led to Mustang, a car designed for young people, which is until today one of the most famous and recognized cars that Ford ever built [5].

References

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